



Standardization Efforts in Islamic Finance

Case Study - Türkiye

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Content

- Introduction
- Standardization Efforts in Islamic Finance Industry
- Data and Methodology
- Standardization: Issues and Challenges
- Lessons Learnt and Recommendations

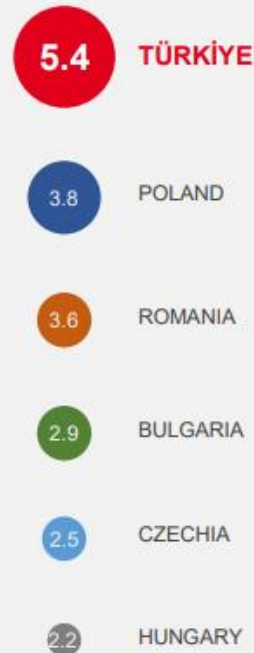
Introduction

Growing Turkish Economy

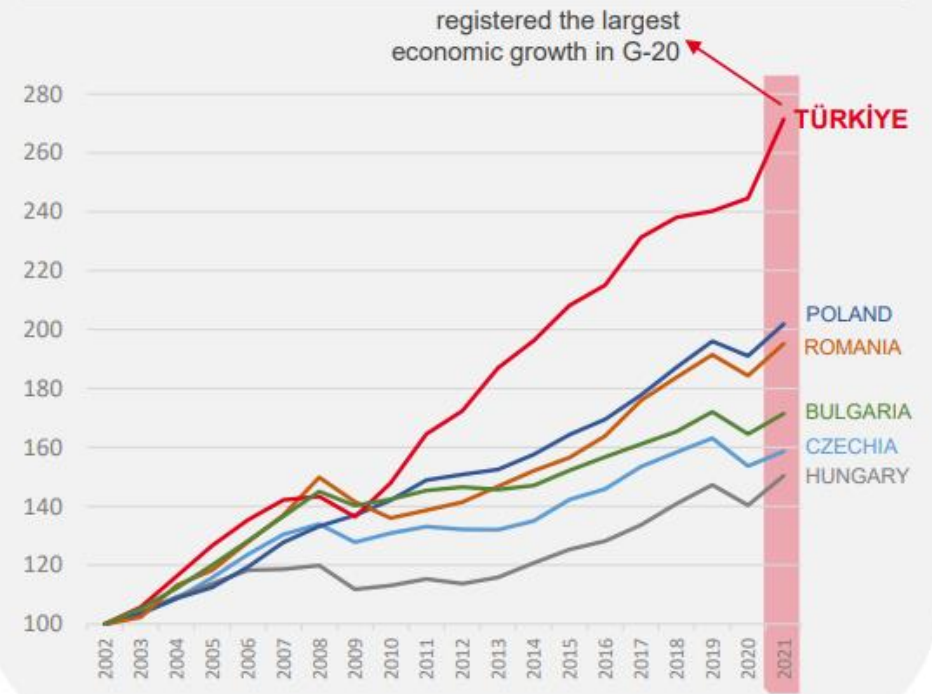
RANKING OF ECONOMIES BY GDP AT PPP

2003	2019	2021
1. USA	1. CHINA	1. CHINA
2. CHINA	2. USA	2. USA
3. JAPAN	3. INDIA	3. INDIA
4. GERMANY	4. JAPAN	4. JAPAN
5. INDIA	5. GERMANY	5. GERMANY
6. RUSSIA	6. RUSSIA	6. RUSSIA
7. FRANCE	7. INDONESIA	7. INDONESIA
8. UK	8. BRAZIL	8. BRAZIL
9. BRAZIL	9. UK	9. UK
10. ITALY	10. FRANCE	10. FRANCE
11. MEXICO	11. MEXICO	11. TÜRKİYE
12. INDONESIA	12. ITALY	12. ITALY
13. SPAIN	13. TÜRKİYE	13. MEXICO
14. CANADA	14. S.KOREA	14. KOREA
15. S.KOREA	15. SPAIN	15. CANADA
16. S.ARABIA	16. CANADA	16. SPAIN
17. IRAN	17. S.ARABIA	17. S.ARABIA
18. TÜRKİYE	18. IRAN	18. TAIWAN, PRC

AVERAGE ANNUAL GDP GROWTH (%) 2002-2021

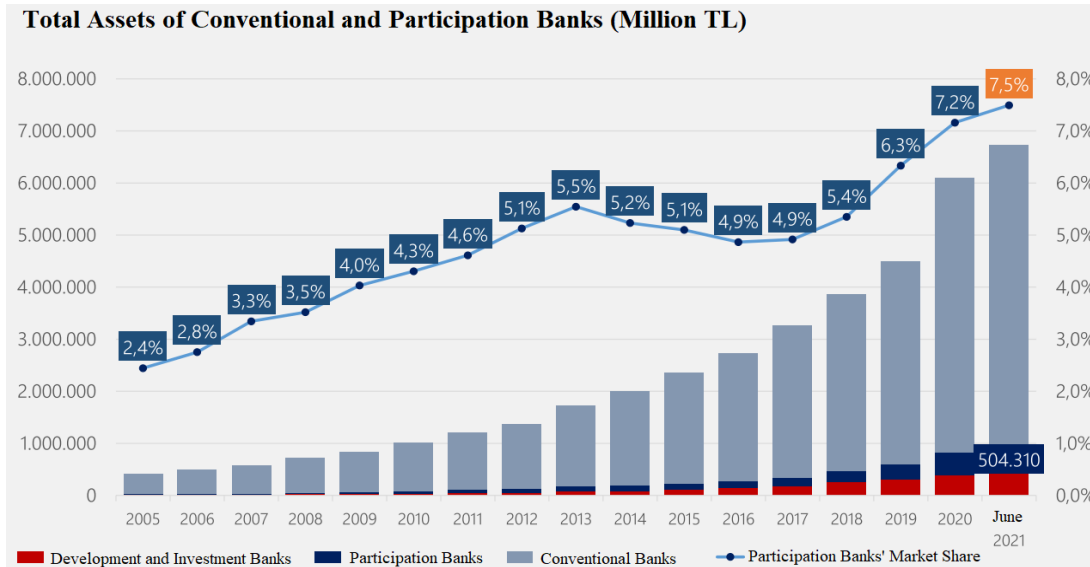


REAL GDP GROWTH (INDEX: 2002=100)

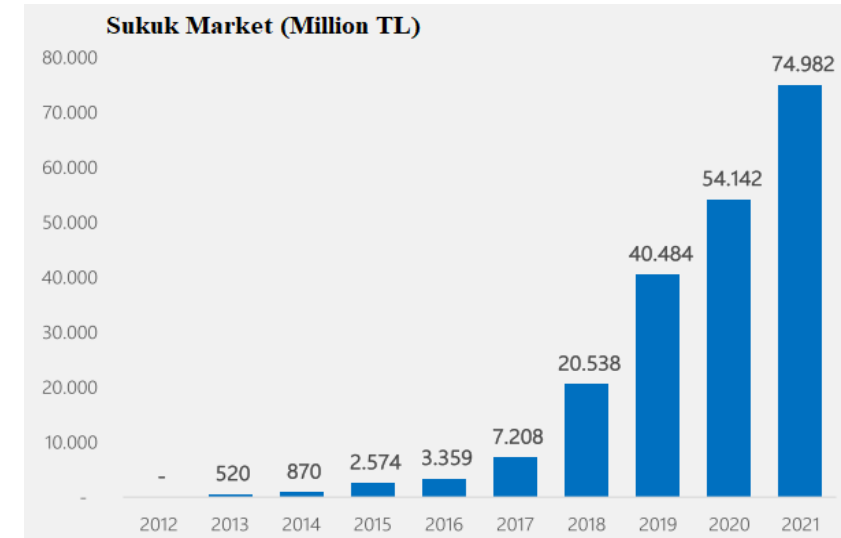


Source: TurkStat, IMF, PPP: Purchasing Power Parity

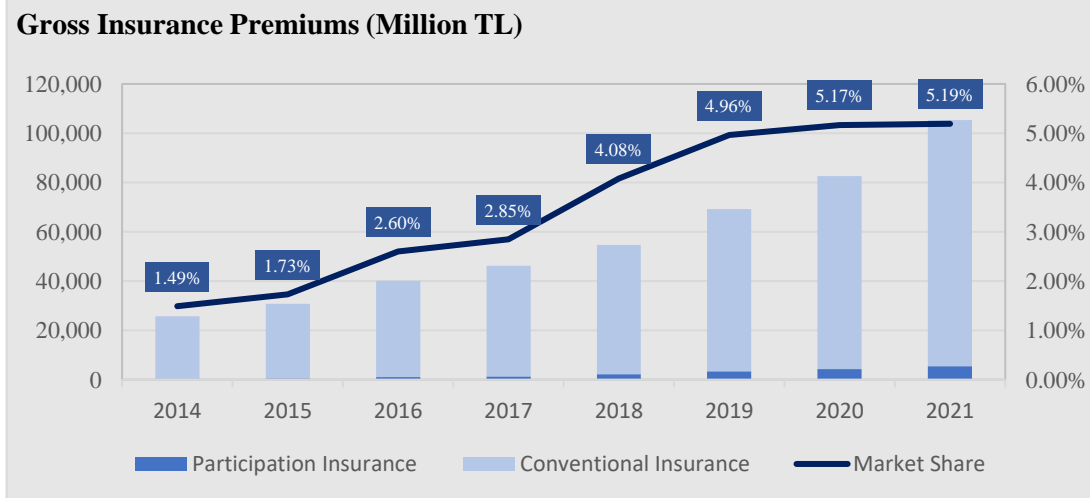
Islamic Finance Industry is Booming



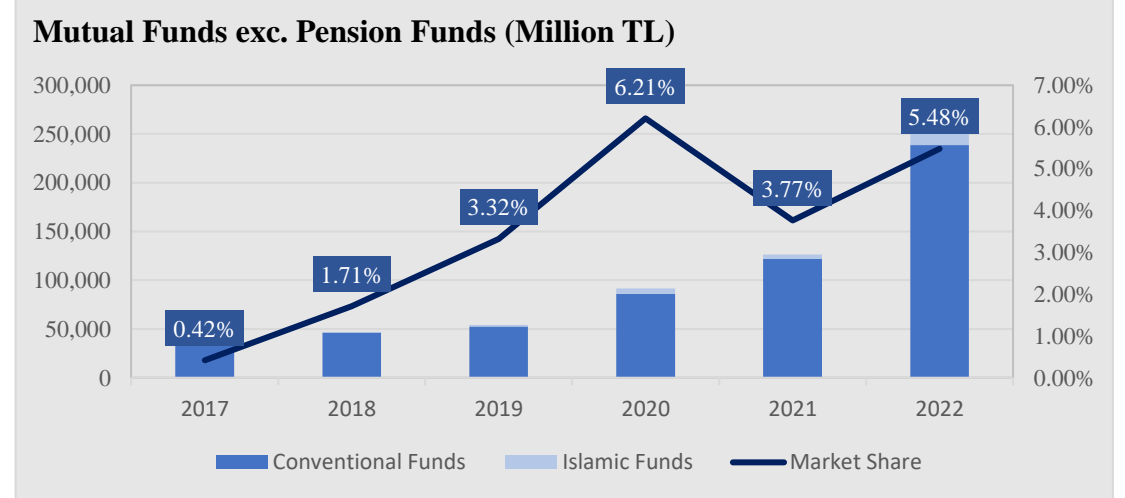
Source: Participation Banks Association of Türkiye (PBAT)



Source: PBAT



Source: Insurance Association of Türkiye



Source: Capital Markets Board of Türkiye

Sophisticated Regulatory Infrastructure

Banking Regulation and Supervision Agency (BRSA)

- Participation Banks
- Conventional Banks

Capital Markets Board (CMB)

- Corporate Sukuk, Participation Funds
- Corporate Bond, Conventional Funds

Ministry of Treasury and Finance

- Sovereign Sukuk
- Sovereign Bond

Insurance and Private Pension Regulations and Supervision Agency

- Participation Insurance and Private Pension Companies
- Conventional Insurance and Private Pension Companies

Participation Bank Association of Turkey (PBAT)

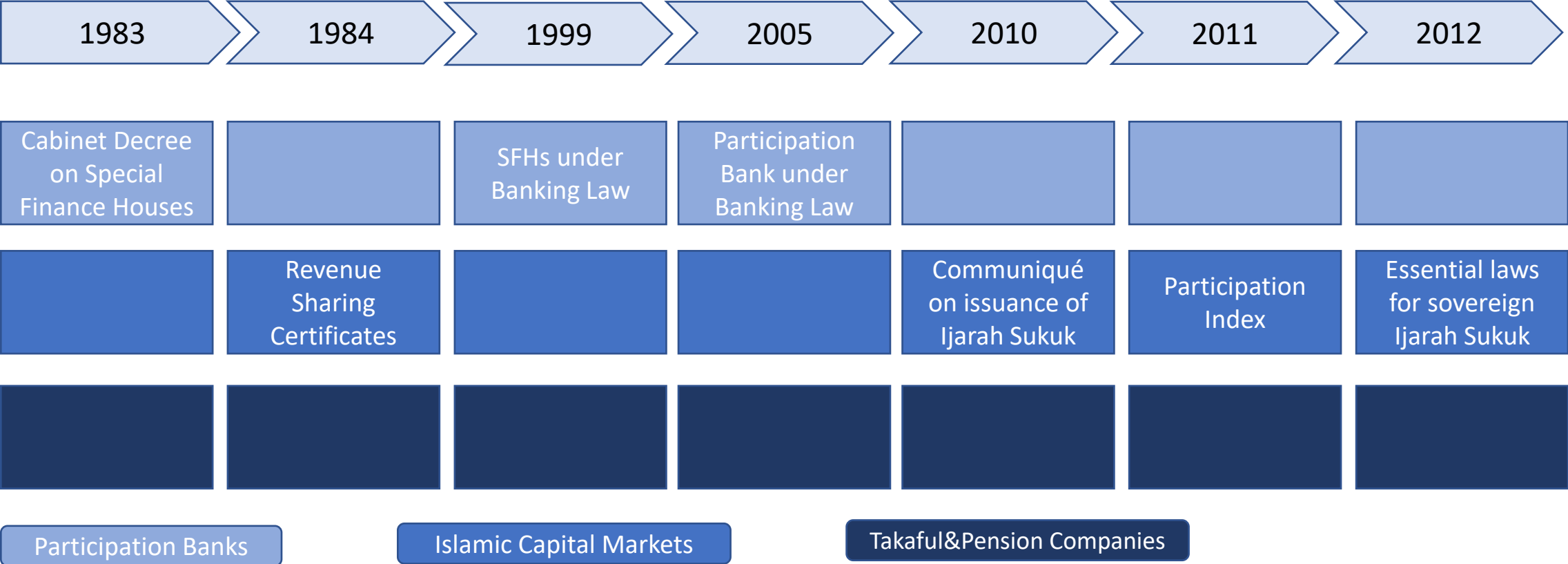
- Advisory Board

Public Oversight Authority (PBO)

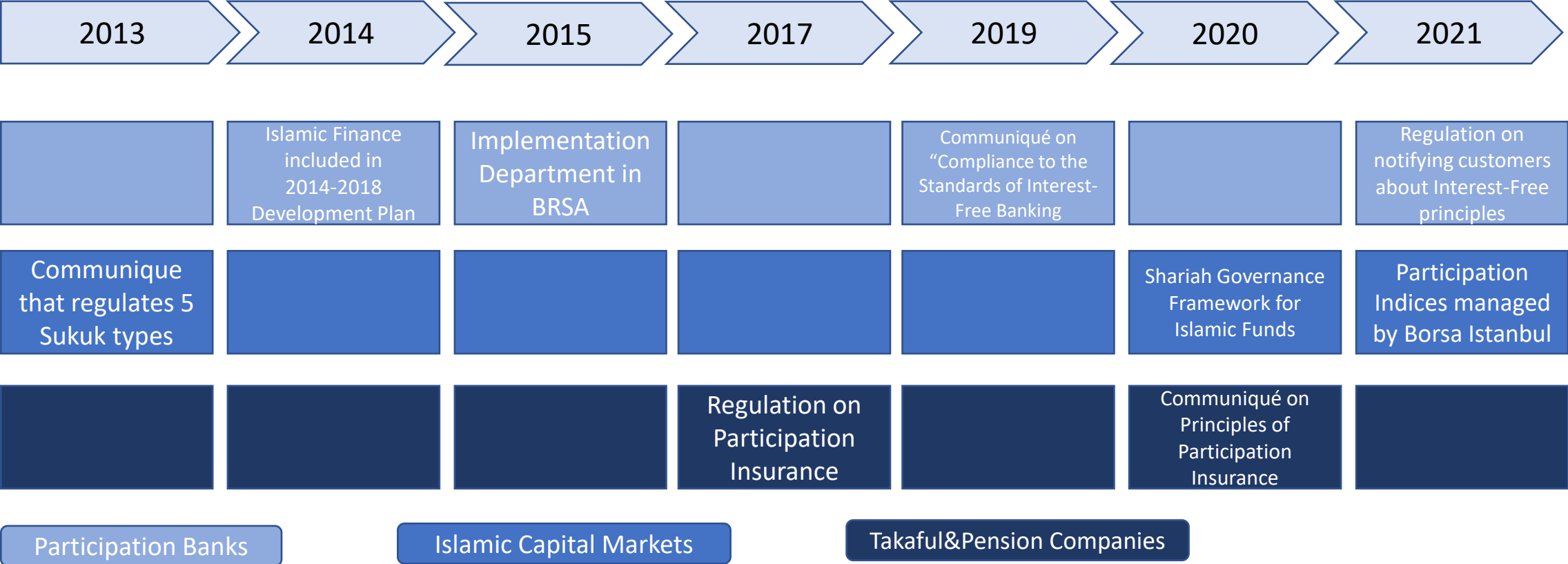
- Islamic Accounting and Auditing Standards
- Conventional Accounting and Auditing Standards

Standardization Efforts in Islamic Finance Industry

Pursuit of Standardization

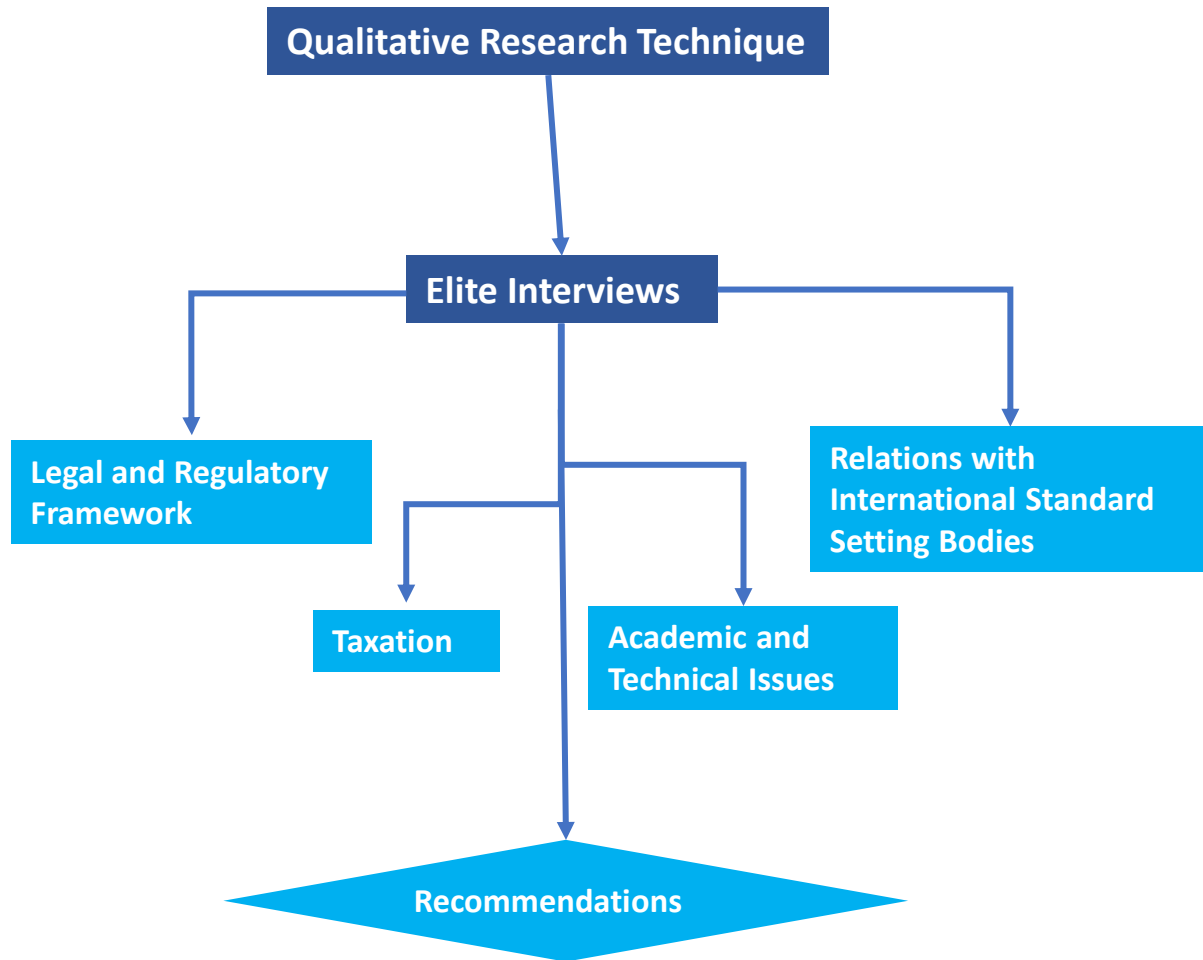


Pursuit of Standardization (Cont.)

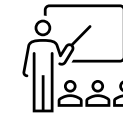


Data and Methodology

Data and Methodology



Interviewees



	Government	University	Financial Institution	Advisory Committee /Board
Interviewee 1	✓	✓		
Interviewee 2		✓	✓	
Interviewee 3	✓			
Interviewee 4			✓	
Interviewee 5		✓	✓	
Interviewee 6			✓	✓
Interviewee 7		✓		✓
Interviewee 8	✓			
Interviewee 9			✓	✓
Interviewee 10		✓	✓	

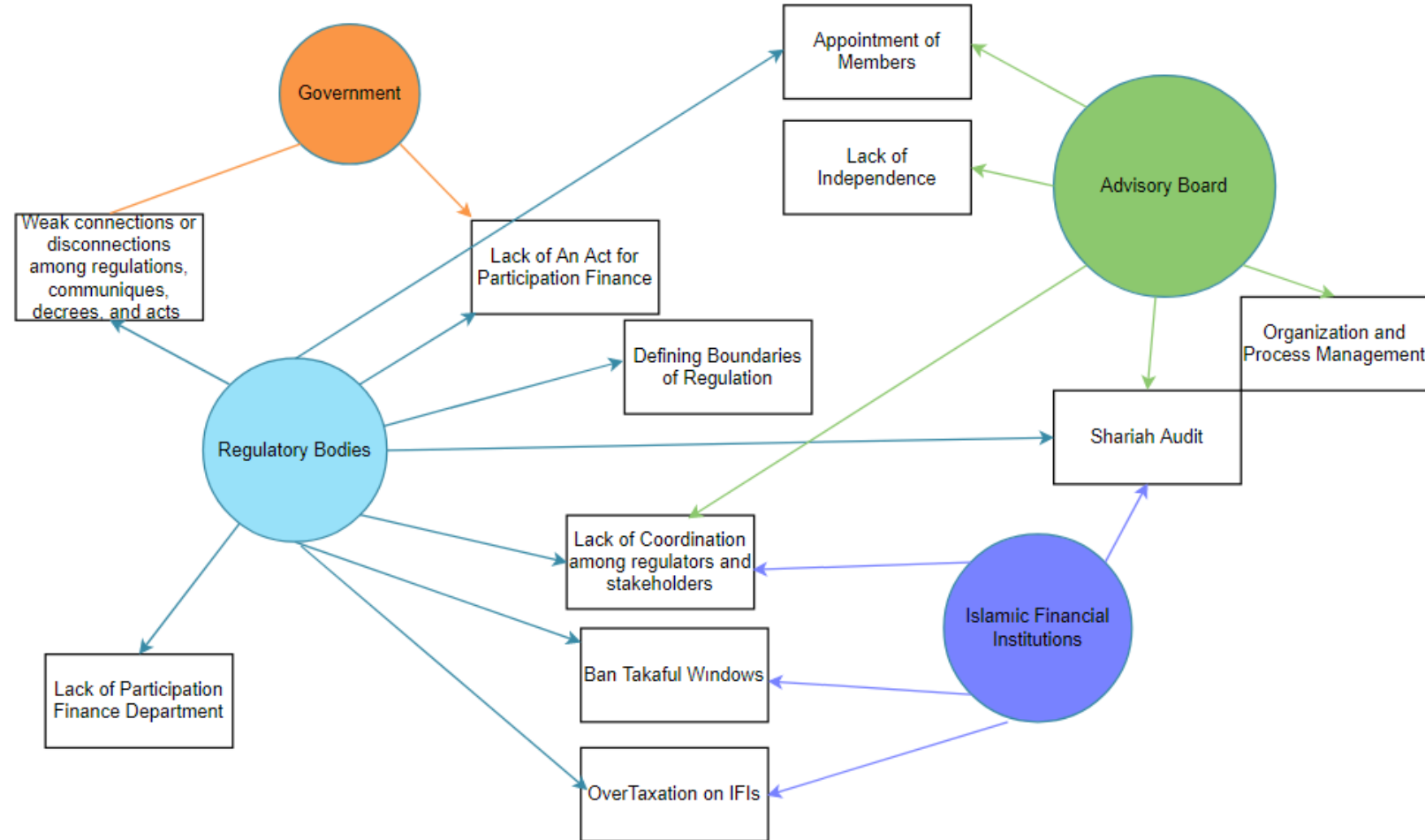
✓: Full Time ✓: Affiliated

Standardization: Issues and Challenges

Stakeholders' Issues and Challenges (Interview Findings)

Regulatory Framework and Taxation

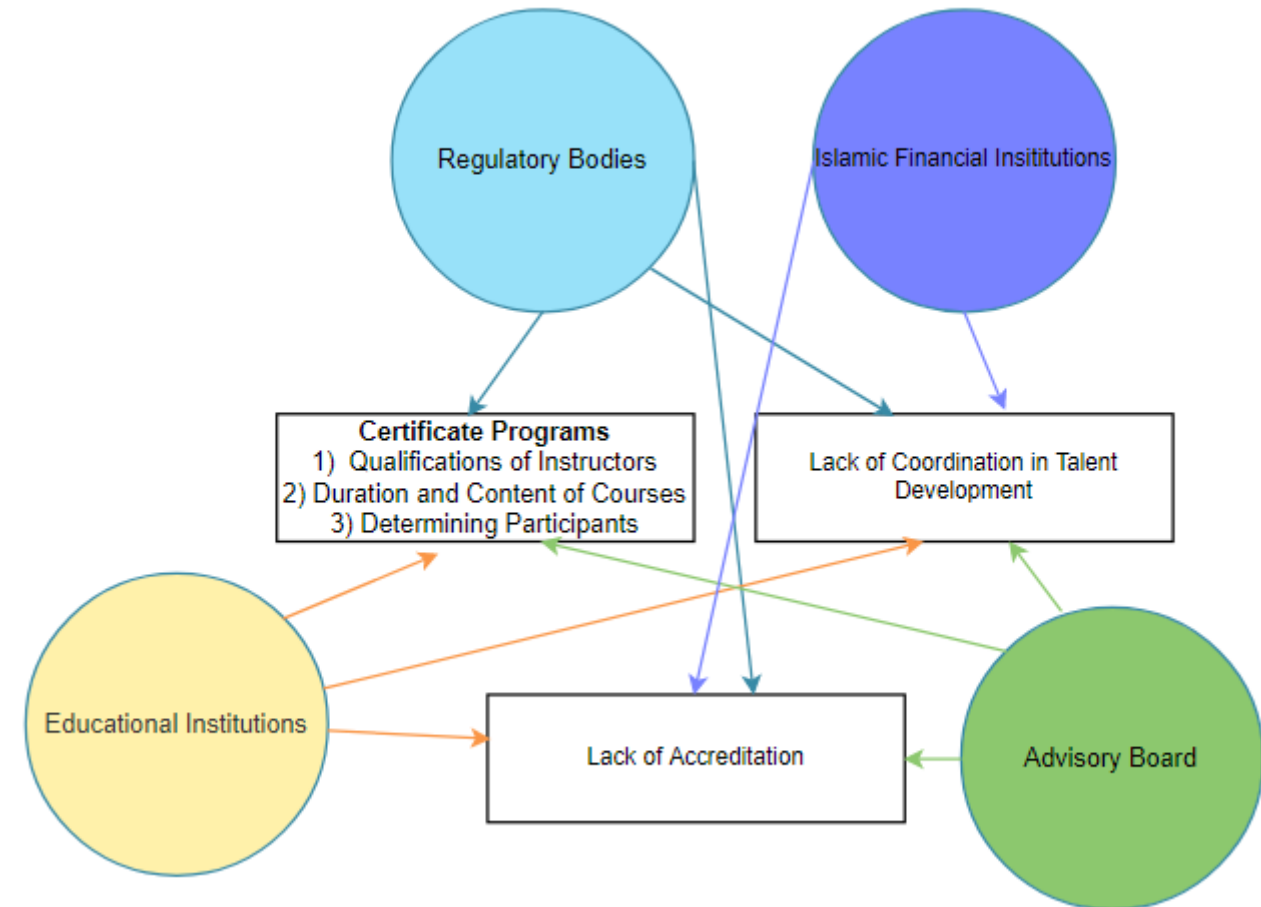
- Weak connections or disconnections among regulations, communiques, decrees and acts
- Lack of an act for Participation Finance
- Lack of Participation Finance Department
- Defining boundaries of regulation
- Lack of coordination among regulators and stakeholders
- Ban on Takaful Windows
- OverTaxation on Islamic Financial Institutions
- Lack of inclusiveness of stakeholders in appointment of Advisory Board Members
- Lack of Independence of Advisory Board
- Lack of comprehensive Shariah audit mechanism
- Problems regarding organization and functioning of Advisory Board



Stakeholders' Issues and Challenges(Interview Findings)

Academic and Technical Issues

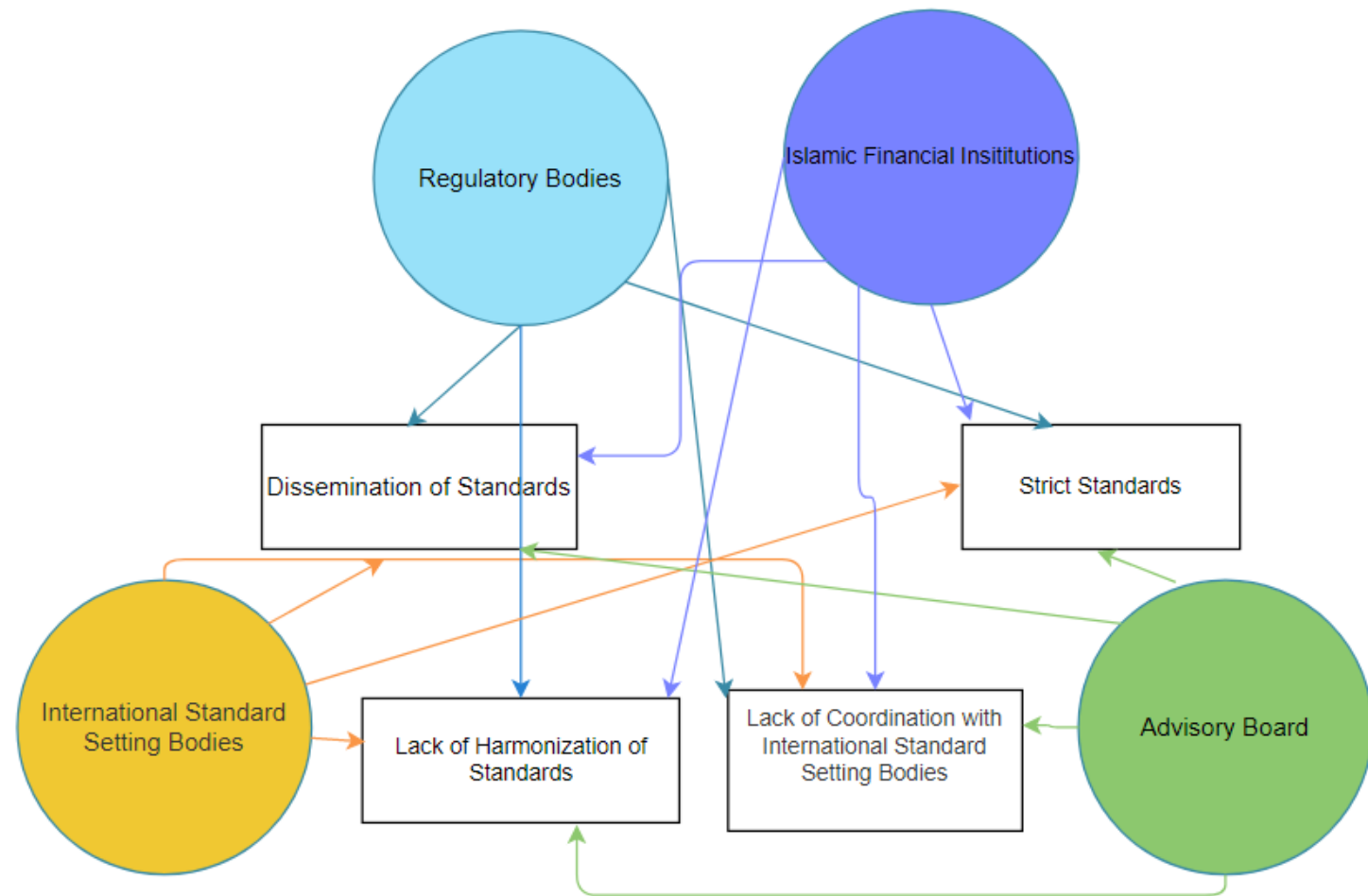
- Certificate Programs
 - Qualifications of Instructors
 - Duration and content of courses
 - Determining Participants
- Lack of coordination in talent development
- Lack of accreditation



Stakeholders' Issues and Challenges (Interview Findings)

Relations with International Standard Setting Bodies

- Dissemination of standards
- Lack of harmonization of standards
- Lack of coordination with international standard setting bodies
- Strict standards

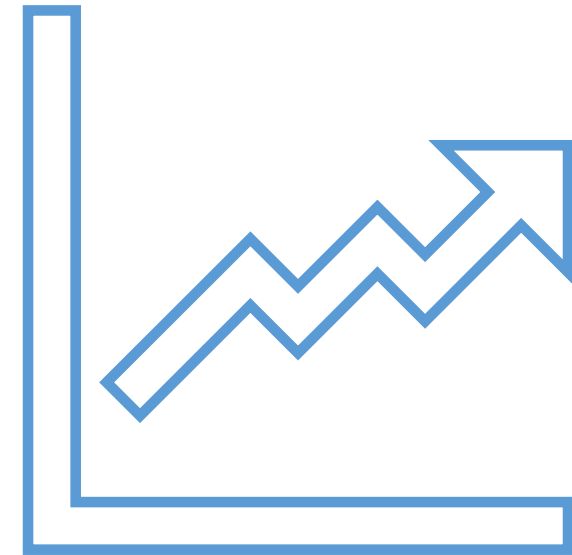


Lessons Learnt and Recommendations

Key Takeaways

Steps that Improved Standardization

- Implementation of a Strategic Plan
- Centralized Shariah Governance
- Talent Development
- Coordination Among Regulatory Bodies and Stakeholders



Recommendations

For Government and Regulatory Bodies

- To finalize a comprehensive participation finance act
- To ensure tax neutrality and provide tax incentives
- To set up participation finance departments in regulatory bodies
- To improve human capital of regulatory bodies
- To provide better coordination among regulatory bodies
- To develop a specific “cooperatives act” for takaful companies
- To consider regulations for peer-to-peer (p2p) takaful

Recommendations

For Advisory Board

- To improve independence of advisory board
- To increase involvement of stakeholders in appointment of advisory board members
- To improve organization and functioning of advisory board

Recommendations

For Islamic Financial Institutions

- To give more emphasis in appointing managers and directors with Islamic finance background
- To ensure right balance between profit maximization and Shariah compliance motives
- To improve transparency on shariah governance
- To engage more in developing standards and regulations
- To improve relations with international standard setting bodies

Recommendations

For Educational Institutions

- To improve coordination in talent development
- To engage in developing standards and regulation
- To include regulations and standards in curriculum/syllabus
- To organize workshops and conferences on standardization
- To invite regulators and practitioners as lecturer

Thank You
Q&A